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SUBJECT: "NEW DPP MOVEMENT": TRYING TO REGAIN THE HIGH
GROUND ON CLEAN GOVERNMENT

Classified By: AIT Director Douglas Paal, Reason(s): 1.4 (B/D)

1. (C) Summary: Tuan Yi-kang, convener of the Democratic Progressive Party (DPP) New Tide Faction, told AIT that he created the "New DPP Movement" to help Luo Wen-jia, the Democratic Progressive Party (DPP) candidate for Taipei County Magistrate, win election on December 3 by burnishing Luo's reformist credentials and distancing him from perceived DPP corruption. The broader goal of the reform initiative is to press the DPP to return to its original anti-corruption and clean government mission. Tuan said the DPP's failure to deliver on reform pledges has resulted in a loss of public trust. Therefore, Tuan stressed, the DPP's top priority must be to restore its credibility. Tuan expressed disappointment that President Chen Shui-bian had attacked the opposition rather than accepting responsibility for Government problems in his October 10 National Day speech. Chen's October 13 meeting with DPP leaders and candidates dramatically revealed the chaos that corruption charges have produced in the party.

Chen's challenge will be to take real steps to reform the party while resisting the temptation to lapse into his accustomed attack mode. End Summary.

2. (C) On October 11, Tuan Yi-kang, convener of the Democratic Progressive Party's New Tide Faction (called "The Movement" in English) and former DPP legislator, briefed AIT on the "New DPP Movement" that he and Luo Wen-jia, DPP candidate for Taipei County magistrate, launched on October

1. The goal of the New DPP Movement, Tuan explained, is to press the party to return to its original mission of anti-corruption, reform, and clean government. Public trust in the party has declined because the DPP has not delivered on its reform pledges since coming into power in 2000. The New DPP Movement, which was not vetted or approved by the party, has no organization and is being planned and run by just three individuals: Tuan, Luo, and DPP Legislator Lee Wen-chung. Initial results have been positive, Tuan said, with 74 of 89 DPP legislators endorsing the movement. The movement also enjoys wide support among party members in central Taiwan, according to DPP International Affairs Advisory Counselor Liu Shyh-fang, who participated in AIT's meeting with Tuan and had just returned from central Taiwan. Tuan noted that he does not intend to continue using the term "New DPP Movement" for his campaign for party reform. "New DPP Movement" is a name designed to use in "fighting," he said.

Origins of the New DPP Movement

3. (C) The idea for the New DPP Movement, Tuan explained, developed during discussions he held with Luo about Luo's campaign in Taipei County. Tuan told Luo that current trends are running against him and that Luo's problems are likely to increase as the December 3 date of the election approaches. Although his opponent, Kuomintang (KMT) candidate Chow Hsi-wei, is a weak campaigner, the KMT will try to turn the election from a contest between individuals into one between the KMT and DPP. Current Taiwan polls indicate that the approval rating for the KMT is ten percent higher than that for the DPP. To counter the negative effect of DPP unpopularity, Luo will need to maintain a lead of more than five percent over Chow to ensure victory, Tuan said. Luo's current lead is less than five percent, however, and Chow continues to gain ground. Luo's particular vulnerability stems from his close association with President Chen Shui-bian, and so Tuan suggested initiating a reform campaign that would distance Luo from the scandals and missteps of the DPP Government.

4. (C) Initial polling indicates that the reform initiative has given a modest boost to Luo, Tuan noted, but the effects are probably temporary and so more will need to be done. That the campaign has met some resistance within the DPP will probably help Luo solidify his reform credentials, Tuan observed. Some party members have voiced concern they might be singled out as the "old DPP," while worry has also been expressed that the campaign will deflate the party's fighting spirit on the eve of the December local elections.

5. (C) Pro-Blue pollster and pundit Emile Sheng offered AIT

a different perspective on the Taipei County race. Although Luo is the stronger campaigner and better liked by the public, Chow has taken the lead within the last several weeks according to opinion polls. Luo's drop can be ascribed almost solely to the negative image of the DPP; Chow has shown little ability as a campaigner. Luo's presentation of the "New DPP" slogan has not succeeded in protecting him from voter distaste for DPP corruption.

The Need to Regain Public Trust

16. (C) Tuan maintained that in the past the DPP has been overly focused on winning each election. To increase support from voters, the DPP has bent its principles and not followed through on promised reforms. The result has been a loss of credibility with the public. For example, Tuan cited, the DPP backtracked on income tax reforms, agreeing to rebates for teachers and members of the armed services as a tactical move to win votes. The DPP has also failed to deliver on a pledge to eliminate the positions of highly paid presidential advisors who have no responsibilities, Tuan noted. Restoring the people's trust in the DPP must be the party's top priority, he stressed. This priority is much more important than winning elections, Tuan added, even the legislative and presidential elections in 2007 and 2008.

Criticizing Chen Shui-bian's October 10 Speech

17. (C) Tuan said he was disappointed with President Chen's October 10 address because Chen ducked responsibility for the Government's problems, once again attacking the opposition over the issue of KMT party assets. Government leaders should reflect, accept responsibility, and apologize to the public for Government mistakes, Tuan suggested, and there should be cabinet changes under the principle of administrative responsibility. For example, Tuan said he had heard of at least one case in which a senior official had been indicted with no consequences for his superiors. He said that the unnamed minister should be required to step down to take administrative responsibility for the indictment of his subordinate. Because he had been disappointed with the Government's response so far, Tuan said, he planned to organize a press conference at which Legislative Yuan (LY) members would criticize the government over corruption issues, including the large bonuses paid to the chairman of the State-owned China Steel Corporation (CSC). In addition, Tuan said, he was inviting DPP candidates for county magistrates and city mayors to sign a pledge to uphold four clean government measures if elected, measures that exceed legal requirements and include placing personal assets into a trust while in office. Tuan noted that DPP Chairman Su Tseng-chang was making DPP headquarters available for the New

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DPP Movement's public events. Su Tseng-chang hosted the candidates' signing of a clean government pledge on October 12 as an official DPP event. On the same day, several DPP and Taiwan Solidarity Union (TSU) legislators held a press conference to display a letter signed by 94 legislators that demanded China Steel Corporation Chairman and Justice Alliance member Lin Wen-yuan turn his bonus over to the Government. (NOTE. The bonus was based mostly on last year's booming exports to China's construction explosion. END NOTE.)

18. (C) Tuan said he would monitor Government reaction, including Chen's handling of a meeting with DPP local election candidates, before deciding whether further measures are needed. Noting that acting Kaohsiung Mayor Yeh Chu-lan has been appointed to investigate problems with the Kaohsiung rapid transit system project, such as alleged bidding irregularities, Tuan said he would wait to see whether the investigation is good, whether someone is held administratively responsible, and whether public opinion is satisfied with the investigation results.

19. (C) If Tuan was looking for modest self-examination from the President's meeting, what he got instead was an amazing display of DPP fratricide October 13, or maybe it's just a healthy sign of a capacity for self-renewal. Chen Shui-bian used a televised gathering of the DPP elite and candidates at the Taipei Guest House to announce, among other things, that if scandal touches him he will step down, referring specifically to CSC Chairman Lin's bonus. It appears that Chen offered himself because he feels safe from proof of a connection, but he has set a standard to remove the premier or other high ranking officers to expiate himself and try to arrest the fall of the DPP's spiraling reputation.

110. (S) Chen Shui-bian's effort, after the cameras were turned off, produced a spirited reaction from the New Tide faction, which has been calling for a New DPP to set itself apart from those associated with the recent scandals. The president's Justice Faction in turn called for the removal of Wu Nai-jen as head of the Taiwan Stock Exchange. The back and

forth of the debate was widely covered in today's media. Presidential Deputy Secretary General James Huang, who attended the meeting, told AIT DIR that the party is in a true "crisis," and said, smiling wryly, the meeting was an example of the spirit of the DPP, with factions slamming each other.

DPP Officials Caught by Surprise

11. (C) Two DPP officials we asked appeared to have been surprised by, and not entirely sure what to expect from, the New DPP Movement. Both agreed, however, on the need for reform. Legislator and DPP Director of International Affairs Bi-Khim Hsiao suggested to us that the movement, which she has endorsed, is a "concept" at this stage. Tung Li-wen, DPP Director of Chinese Affairs, said the idea of reform is good and is popular with the people, but some specific proposals should be dropped. He suggested that the party might take up the reform agenda after the December 3 elections and that the problem now is that voters may be expecting reforms that will not happen before the elections.

Comment

12. (C) The DPP has been hard hit in recent months by a series of widely publicized scandals, corruption allegations, and charges of mismanagement. Its talent for public and vicious squabbling has only compounded the damage. Party leaders are concerned that growing popular dissatisfaction with the DPP will translate into defeat in local elections on December 3 and that the opposition KMT may be able to build momentum to retake power in the 2008 presidential election. The New DPP Movement adds to the already considerable pressure on DPP leaders to address corruption issues, and Chen Shui-bian is responding, as he often has in the past, by attacking opponents and allies alike. By themselves, Chen's statements seem unlikely to turn public opinion around, and so Chen may come to feel compelled to make some high-level personnel changes in an effort to reverse the dramatic shift in public opinion away from the DPP. It is also possible, but far less likely, that Chen will heed the ideas of the New DPP proponents and engage in genuine reform of the party.

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